Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
ETC Annual Reports and Certifications	)	WC Docket No. 14-58
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	

COMMENTS OF SACRED WIND COMMUNICATIONS, INC.

John Badal
President and CEO
Brian Tagaban
Director Governmental Policy
Sacred Wind Communications, Inc.
5901 Wyoming NE, Suite J, Box 266
Albuquerque, NM 87110

Martin L. Stern
Erin P. Fitzgerald
Womble Bond Dickinson (US) LLP
1200 19th Street, N.W.
Washington, D.C. 20036
(202) 467-6900
Attorneys for Sacred Wind Communications, Inc.

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SUMMARY

Sacred Wind is a privately owned, New Mexico-based corporation formed in 2004 to introduce basic telephone and broadband services to thousands of unserved homes on Navajo Reservation and near-Reservation lands. Sacred Wind is the only non-tribal incumbent local exchange carrier ("ILEC") formed exclusively to serve tribal customers. Sacred Wind serves a population of approximately 23,300 people, 98 percent of whom are Navajo citizens. The service territory's average population density is approximately 7.3 people per square mile, one of the most sparsely populated areas in the country. Additionally, the customers that Sacred Wind serves are generally low-income and reside in extremely rural, remote areas.

When Sacred Wind commenced operations, voice penetration was less than 30%, and there was no broadband service. Today, voice and broadband service is available to 85% of its customer base, with broadband at download speeds of 4Mbps, 6Mbps, 10Mbps, 15Mbps and 20Mbps. A United States Department of Agriculture ("USDA") Rural Utilities Service ("RUS") low-interest loan provided the capital necessary to build a network capable of providing voice and broadband access to over 7,000 homes in an area nearly twice the size of the State of Delaware. Widely scattered homes separated by five mountain chains and difficult desert terrain contribute to the challenges of serving subscribers dispersed over such a vast area. These challenges, exacerbated by the low-income subscriber base, mean that Sacred Wind relies upon the FCC's Universal Service Fund ("USF") programs to cover its network operating costs. Sacred Wind finds itself in the upper 10 percent of legacy HCLS and CAF BLS support recipients. This is an unavoidable ranking for an ILEC dedicated to providing its Navajo customers with basic and advanced telecommunications services comparable to those provided in urban areas of the country.

Sacred Wind urges the Commission to: (1) increase the rate-of-return budget to account for inflation since 2011, and consider increasing the amount available for high cost loop support ("HCLS") and Connect America Fund Broadband Loop Support ("CAF BLS"); (2) consider remote rural carriers' high capital and operating costs when determining parameters for additional Alternative Connect America Cost Model ("A-CAM") offers; (3) eliminate the operating expense limitation for carriers serving tribal areas; (4) consider implementing a multi-tiered A-CAM structure; (5) consider a state-oriented A-CAM model; and (6) not consolidate HCLS and CAF BLS support.

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COMMENTS OF SACRED WIND COMMUNICATIONS, INC.

Sacred Wind Communications, Inc. ("Sacred Wind") respectfully submits these comments in response to the Federal Communications Commission's ("FCC" or "Commission") March 23, 2018 Notice of Proposed Rulemaking in the referenced proceedings.[1] For the reasons discussed below, Sacred Wind urges the Commission to: (1) increase the rate-of-return budget to account for inflation since 2011, and consider increasing the amount available for high cost loop support ("HCLS") and Connect America Fund Broadband Loop Support ("CAF BLS"); (2) consider remote rural carriers' high capital and operating costs when determining parameters for additional Alternative Connect America Cost Model ("A-CAM") offers; (3) eliminate the operating expense limitation for carriers serving tribal areas; (4) consider implementing a multi-tiered A-CAM structure; (5) consider a state-oriented A-CAM model; and (6) not consolidate HCLS and CAF BLS support.

[1] Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, *Connect America Fund, et. al.*, WC Docket No. 10-90 (rel. Mar. 25, 2017) ("*NPRM*").

I. BACKGROUND

A. Sacred Wind Overview.

Sacred Wind is a privately owned, New Mexico-based corporation formed in 2004 to introduce basic telephone and broadband services to thousands of unserved homes on Navajo Reservation and near-Reservation lands. Sacred Wind is the only non-tribal incumbent local exchange carrier ("ILEC") formed exclusively to serve tribal customers. In 2006, the company acquired a portion of Qwest's service territory that comprised approximately 3,200 square miles in northwestern New Mexico on the Navajo Reservation and near-Reservation lands known as the "checkerboard." Sacred Wind also acquired limited Qwest "last mile" copper facilities in this territory. Over the first four years of its existence, Sacred Wind operated leased Qwest facilities fed from Qwest's nearby wire centers. At the same time, Sacred Wind constructed a new telecommunications infrastructure from which to operate – a hybrid fixed wireless and copper last mile system built atop an all Internet Protocol ("IP") platform, supported by fiber optic and microwave backhaul.

Sacred Wind serves a population of approximately 23,300 people, 98 percent of whom are Navajo citizens. The service territory's average population density is approximately 7.3 people per square mile, one of the most sparsely populated areas in the country. Sacred Wind is a carrier of last resort for 7,505 households,[2] meaning that it cannot terminate or withdraw from providing telephone service unless the New Mexico Public Regulation Commission ("NMPRC") finds that another telecommunications company is able to provide service without interruption. No other such company currently exists in Sacred Wind's service area.

[2] More recent census data indicates 7,505 homes within the study area, which is higher than the 6,500 households that Sacred Wind had customarily identified as being within its study area. This calculation is made difficult by the fact that the U.S. Census Bureau's census block boundaries differ from the Navajo Nation Chapter boundaries. The New Mexico Public Regulation Commission's study area boundaries differ from both of these as well.

Additionally, the customers that Sacred Wind serves are generally low-income and reside in extremely rural, remote areas. In Navajo, New Mexico, the average annual individual income is $5,595.00, which is 77 percent below the statewide average ($24,459) and 81 percent below the national average ($29,829).[3] Over 42.9 percent of Navajos live under the national poverty level,[4] the highest poverty rate in the country, even among American Indians. Sacred Wind calculates that, among the yet-unserved households in the more remote areas of its territory, even higher poverty levels exist. Almost 75 percent of Sacred Wind's customers participate in the FCC's Tribal Lifeline program.

No wireline competitive local exchange carriers ("CLECs") exist in Sacred Wind's service area. Only mobile wireless carriers operate within reach of Sacred Wind's service territory, and only one mobile wireless carrier – Smith Bagley, operating as CellularOne – has developed the communications infrastructure necessary to serve portions of the interior of Sacred Wind's service territory, mainly in the northeast sector of Sacred Wind's northern exchange and the western sector of Sacred Wind's southern exchange. In Sacred Wind's experience, much of the mobile wireless infrastructure built away from paved roadways on Navajo lands is not supported by fiber optic-delivered bandwidth and does not provide 4G, and in some cases even 3G, mobile services.[5]

Approximately one-third of Sacred Wind's customers reside in small HUD or Navajo Housing Authority ("NHA") developments and neighborhoods surrounding a Chapter House. The remaining two-thirds are scattered over the greater part of the 3,200 square mile service

[3] U.S. Census Bureau, *American Fact Finder*, Selected Economic Characteristics for Navajo CDP, New Mexico (last visited May 23, 2018).

[4] The Navajo Nation, *An Overview of the Navajo Nation – Demographics* (last visited May 23, 2018).

[5] The most common term for a cellphone in the Navajo language is *Bił Nijoobałí*, which means "spinning around with it" – an allusion to the customer spinning around at the top of a hill to receive a signal.

territory, making the housing density for the majority of Sacred Wind's service territory slightly over one home per square mile.

B. The Cost to Deploy Rural Broadband is Significant, And Is Especially So In Rural Tribal Areas.

After the completion of major components of its fiber and microwave-to-fixed wireless and copper network, Sacred Wind was able to introduce broadband to the Navajo Reservation lands and near-Reservation lands in its service territory. In order to overcome daunting rights of way ("ROW") obstacles and external pessimism regarding broadband delivery to hundreds of homes that never even had access to basic telephone service, the company worked with local Chapters (Navajo local governmental jurisdictions) to create training programs, and service delivery and promotional materials. Today, voice and broadband service is available to 85% of its customer base, with broadband at download speeds of 4Mbps, 6Mbps, 10Mbps, 15Mbps and 20Mbps.[6] In addition, the company's Navajo customers' broadband take-rate stands at 50 percent – both for Tribal Lifeline and non-Tribal Lifeline customers – and Sacred Wind's broadband service remains the highest speed offering anywhere on the Navajo Reservation.

A United States Department of Agriculture ("USDA") Rural Utilities Service ("RUS") low-interest loan provided the capital necessary to build a network capable of providing voice and broadband access to over 7,000 homes in an area nearly twice the size of the State of Delaware. Two central offices, 120 miles apart, support fiber optic and point-to-point microwave backhaul networks that required ROW permits for every inch of cabling, 18 backhaul towers, and even more relay poles and towers. Every microwave access point, or tower radio antennae, has been replaced at least once due to manufacturer-discontinued radio equipment or environmental damage. Full replacement every five to seven years of all tower radio antennae

[6] When Sacred Wind commenced operations, voice penetration was less than 30%, and there was no broadband service.

and base stations must be factored into the company's ongoing costs, as well as electronics replacement in all of the company's 64 digital loop carrier cabinets. As if having to borrow [redacted] for a new infrastructure to serve 7,000 scattered locations was not enough, Sacred Wind also had to integrate over 700 miles of last mile copper into an IP-based system and then replace or shorten much of that copper when time and budget would allow. In the past 10 years, Sacred Wind has either replaced or shortened over 200 miles of old copper wire, virtually all on federal lands. For the more remote copper-fed subscribers, where shortening the loops for broadband is impractical, their service will eventually be converted to fixed wireless.

Widely scattered homes separated by five mountain chains and difficult desert terrain contribute to the challenges of serving subscribers dispersed over such a vast area. These challenges, exacerbated by the low-income subscriber base, mean that Sacred Wind relies upon the FCC's Universal Service Fund ("USF") programs to cover its network operating costs. Those further costs are driven by the need to maintain a longer, broader and more technologically diverse system than most companies require to serve a like number of customers, a larger per-customer outside plant workforce, and access to tribal and public lands that is expensive and time-consuming to acquire.

C. High Cost Loop Support and Connect America Fund Broadband Loop Support Remains Critical.

Sacred Wind finds itself in the upper 10 percent of legacy HCLS and CAF BLS support recipients.[7] This is an unavoidable ranking for an ILEC dedicated to providing its Navajo customers with basic and advanced telecommunications services comparable to those provided in urban areas of the country.

[7] Universal Service Administrative Company, Connect America Fund Broadband Loops Support Projected by State by Study Area – 3Q2018 (last visited May 24, 2018).

As a relatively new ILEC, Sacred Wind has incurred a large debt obligation, experienced ten full years of continued infrastructure growth, and succeeded in meeting the needs of its previously unserved and underserved customers in the face of impediments that have frustrated other companies. The capital and operating costs incurred to cover the vast and difficult terrain of northwestern New Mexico pose challenges to telecommunications carriers similar to those found in Alaska. Additional capital and operating costs incurred by Sacred Wind on Tribal and public lands are similar to, and often greater than, those of Tribally-owned carriers.

In short, Sacred Wind wishes to impress upon the Commission that the capital and operating expenses of any ILEC with operating circumstances similar to Sacred Wind's will be higher than most other ILECs in the country. But Sacred Wind also wishes to underscore the point that none of its network infrastructure has been excessive or beyond what is necessary to meet RUS and Commission requirements. Sacred Wind's fiber optic backhaul for capacity to its network of digital, very-high-bit-rate digital subscriber line ("VDSL")-enabled carrier cabinets, to legacy (but upgraded) copper-fed customers, and to newer and more remote fixed wireless-fed customers has been a reasonable technological solution for its study area.

Much of Sacred Wind's higher capital and operating expenses are a result of its operations on sparsely populated Tribal lands, but some of these expenses are the result of higher regulatory compliance and legal expenses. For example, the company is disadvantaged at the state level for being the newest New Mexico ILEC. Established just months after the NMPRC issued an order reducing intrastate access charges to the federal access charge level and simultaneously creating a state Universal Service Fund to compensate the then-existing ILECs for such reduction, Sacred Wind was neither eligible for state USF support nor for assessment of

higher intrastate carrier access charges. The company was, for the first nine years of its existence, the only ILEC in New Mexico denied state support.

Appealing on two separate occasions for state USF support, Sacred Wind's regulatory expenses reached [redacted] for its first state USF appeal in 2010-2012, and [redacted] for its second appeal in 2015. Sacred Wind must petition the state again in 2020 to continue its state support beyond 2020. State USF support for all other companies is provided without incurring any regulatory action or expense. Sacred Wind has also incurred over [redacted] in legal expenses for state regulatory approvals that are demanded of no other ILEC in the state, simply because institutional memory is not long enough at the NMPRC to recall how other ILECs began their operations decades ago. Sacred Wind's regulatory expenses in New Mexico alone are estimated to equate to [redacted] in additional expense per subscriber per year, and are far higher than those of any other ILEC in the state save CenturyLink. We address this issue below in the discussion of states' complementary support for broadband development.

Sacred Wind does not oppose the FCC's call for further USF/CAF program reforms, and recognizes that the Commission has an "obligation to ensure that scarce public resources are spent judiciously."[8] That said, such reforms must continue to ensure the universality of affordable telecommunications services in extremely remote, rural areas, and assure that such support remains predictable and sufficient.

[8] *NPRM* at ¶ 112.

II. DISCUSSION

A. The Commission Should Increase Rate-of-Return Budget to Account for Inflation Since 2011, and Consider Increasing the Amount Available for HCLS and CAF BLS.

The Commission seeks comment on "revising the budget for rate-of-return carriers within the high-cost program," noting that it "has not accounted for the effects of inflation on the budget."[9] The Commission further notes that had it accounted for inflation, the rate-of-return budget would have increased from $2 billion in the 2012 budget year to $2.193 billion in the 2018 budget year.

At a minimum, the FCC should increase its $2 billion budget for rate-of-return ILECs to $2.193 billion to account for inflation since 2011. The rural telecommunications industry has not seen expense reductions since 2011. Increased costs for labor, gasoline, copper, and tower facilities since 2011 have more than offset decreased electronics costs in the same period.

Further, additional support to the Rural ILEC budget would likely be necessary to fully fund both its new A-CAM proposal and the RLECs that remain on legacy HCLS and CAF BLS support programs. The budget should be constructed to meet the legitimate needs of all RLECs, avoiding further application of a Budget Control Mechanism ("BCM").

While the Commission's concerns regarding costs imposed by an increased contribution factor are well-placed, unanticipated decreases in HCLS and CAF BLS are also cause for concern. These decreases in support impede long-term network planning, harm carriers' financial standing (including loan obligations to their creditors), and ultimately harm their customers. [redacted]

[redacted]

[redacted]

[9] *NPRM* at ¶ 107.

[redacted]

[redacted]

B. The Commission Must Consider Rural Carriers' High Capital and Operating Costs When Determining Parameters for Additional A-CAM Offers.

The FCC's proposals regarding new A-CAM offers fail to fully take into account the increased maintenance costs of rural facilities for fully funded locations. These proposals infer that a carrier's operating expenses are reduced once 10 and 25 Mbps speeds have been achieved. In fact, the opposite is the case.[10] The more sophisticated or advanced a system, the more "end of life" elements to the system and greater number of points of failure there are.

Sacred Wind's loan payments for its infrastructural investments exceed [redacted] annually, and the company still invests over [redacted] each year in maintenance and network additions. As many as seven (7) layers of software can be found at different points along the company's network, from its central office to its fiber-fed digital cabinets, then to fixed wireless access points and ultimately to a subscriber antenna and modem. Each layer must integrate with another. Environmental conditions add to a system's aging, and ever-increasing customer demand for bandwidth means that carriers must constantly upgrade their networks as well as develop redundant routes to ensure survivability within local nets and for the overall system. The idea that, once a rural telecommunications network achieves universal 10 Mbps or 25 Mbps download speeds, a company's job is done, belies the realities of its service obligations, customer demand and the federal mandate to provide service comparable to what is available in urban areas.

[10] Except to some degree for providers that have succeeded in installing fiber optic facilities to the home.

The $146.10 per customer support amount, even with the additional Tribal support factor, is woefully insufficient to allow Sacred Wind to continue to serve its customers in a manner even consistent with its historic offerings, let alone comparable to service provided in urban areas. That amount may offer predictability and sufficiency to more densely populated study areas, but it does not take into account the extraordinary costs of constructing a telecommunications system in a study area such as Sacred Wind's. For examples of additional costs related to ROW, staffing, and equipment, please refer to Confidential Exhibit A.

Installation of fiber to the home ("FTTH") is not practical for Sacred Wind except in the limited areas where HUD or NHA developments are located, and the population density is high enough that such investment is possible. The financial costs and enormous amount of time required to acquire ROW across multiple land statuses, and the costs of landline infrastructure over long distances between communities and houses, make landline investments prohibitively expensive in tribal and federally managed areas of New Mexico.

As an example, to achieve FTTH to the Nageezi Chapter of the Navajo Nation, a typical community within Sacred Wind's study area, Sacred Wind would have to extend fiber cable, mostly buried, along 38 miles of state highway atop Navajo Nation and BIA lands and an additional, approximate 20 – 30 miles of fiber to the home. This would result in increased ROW requirements over these Navajo Nation, BIA and BLM lands, at a total cost of approximately $2,880,000 (perhaps up to $4,000,000 with ROW payments and costs).

In comparison, Sacred Wind has succeeded in serving the Nageezi Chapter with two communications towers with a fixed wireless solution at one-fifth of those capital costs and far less ROW costs. A canyonland area at the farthest southeast corner of Nageezi of about 40 additional homes, where fiber optic cable would be even less practical, can be served by two

solar-powered monopoles from a current Sacred Wind tower. The towers that Sacred Wind has constructed, too, are situated so as to have line of sight outside of Sacred Wind's study area to dozens of unserved and underserved homes and a large school.[11]

C. The Commission Should Eliminate the Operating Expense Limitation for Carriers Serving Tribal Areas.

The Commission adopted an operating expense limitation in the *2016 Rate of Return Reform Order*[12] that limited the amount of expenses recoverable in HCLS and CAF BLS based on a regression-based per-location amount plus 1.5 standard deviations. In the March Third Order on Reconsideration, the Commission decided to add an inflationary factor to the caps,[13] and in the *NPRM* requested comment on eliminating the opex limitation entirely.[14]

In the *Tribal Opex Relief Order*,[15] the Commission added two conditions to affected companies receiving the relief: (1) the carrier has not deployed broadband service of 10 Mbps download/1 Mbps upload to 90 percent or more of the housing units on the Tribal lands in its study area; and (2) unsubsidized competitors have not deployed broadband service of 10/1 Mbps to 85 percent or more of the housing units in the study area.[16] Even though the Commission recognizes "there are unique costs associated with serving Tribal lands"[17] the Commission adds these conditions without notice, opportunity for comment, or the other processes normally associated with a decision such as this.

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[11] Sacred Wind won an E-Rate bid to provide broadband to the Lybrook Elementary School from one of its towers.

[12] *Connect America Fund*, et. al., Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, WC Docket No. 10-90, et. al., FCC 16-33, at ¶¶ 95-104 (rel. Mar. 30, 2016) (*2016 Rate of Return Reform Order*).

[13] *NPRM* at ¶ 85

[14] *Id.*, at ¶ 168

[15] *Connect America Fund*, Report and Order, WC Docket No. 10-90, FCC 18-37, at ¶ 7 (rel. April 5, 2018) (*Tribal Opex Relief Order*).

[16] *Id.*, at ¶ 7

[17] *Id.*, at ¶ 5

Given the conditions adopted by the Commission in the *Tribal Opex Relief Order*, NTTA recommends the Commission remove all opex limitations for carriers serving predominantly Tribal lands. The addition of the condition that any carrier with 90% or greater 10/1 Mbps broadband deployment cannot receive the relief consists of a perverse incentive in regards to broadband deployment. For carriers nearing the 90% threshold, the Commission's condition could disincentivize further broadband deployment that would cause the carrier to cross the threshold. Sacred Wind does not believe the Commission desires this type of disincentive to be attached to its efforts to increase broadband deployment in Tribal areas.

D. The Commission Should Consider Implementing a Multi-Tiered A-CAM Structure.

In order to develop an A-CAM proposal that would attract the most carriers, the Commission must avoid a one-size-fits-all model that would be amenable to only those carriers that could: 1) afford a moderate reduction in their legacy support; 2) receive annual revenues from subscribers that cover a large portion of their operating expenses; and 3) afford to forego further investments of any consequence in their study areas. Carriers that need to continue to invest in their networks – to either improve an inadequate voice and/or broadband system or to extend the network to reach more unserved and underserved customers – are unlikely to accept an A-CAM model that effectively imposes per-customer caps on subscriber growth. This "legacy" model, accompanied by RUS low interest loans, has successfully incentivized broadband infrastructure development in high cost rural areas and represents for Sacred Wind's previously unserved customers their only chance for urban versus rural equality. The construction and continued maintenance of an entire infrastructure to serve a 3,200 square mile study area carries with it a large debt payment and considerable ongoing operating/maintenance costs.

In Sacred Wind's case, an A-CAM "glide path" model can be developed within a tier of support higher than $146.10 per customer. But in order to for Sacred Wind to accept that model and continue to maintain and extend services to both its unserved and underserved customers, that model must: (1) base its cost per customer on Sacred Wind's true costs of serving customers, not the FCC's nationally based average costs; (2) take into account the effect of a low-income customer base on Sacred Wind's operating revenues; (3) be based on an accurate accounting of occupied households in Sacred Wind's service territory; and (4) take into account Sacred Wind's need to continue to invest in network expansion and improvements at current levels. The same would likely be the case for a number of carriers operating in the harder to serve and tribal areas of the country where customer revenues are lower than most and new and added investments are critically important.

An A-CAM model for a select number of carriers that require continued investments to higher cost, lower income, and more remote areas must contain higher per-location caps and a version of glide-path transition payments for the period of time that such carriers require additional, or above national average, infrastructure investments. If the carriers' need for additional investments extends beyond the A-CAM's nine-year term, the carrier might not find the A-CAM offer beneficial. Other carriers nearing the completion of aggressive infrastructure development in higher income areas might be able to manage an A-CAM offer that is accompanied by transition payments that conform to the carrier's investment plans. For low-income tribal areas especially, such as those in Sacred Wind's study area, a continuation of USF support beyond an A-CAM model offer period must continue at a sufficient level to ensure the availability of affordable telecommunications services. Quite simply, the customers residing in

those areas cannot afford the telecommunications services they receive without Federal and state support.

E. The Commission Should Consider a State-Oriented A-CAM Model.

Another approach to developing a multi-tiered A-CAM Model structure might be to include consideration of the higher cost of serving study areas within a given state coupled with a state's relative income level. The FCC has already recognized the need for a support structure specific to a single state with its establishment of the Alaska Plan. The Commission might consider establishing an A-CAM model suited to areas (either the state as a whole or large rural portions of a given state where high-cost companies exist) with specific income and population density levels. For example, the Navajo lands in New Mexico and Arizona, an area the size of West Virginia, has a poverty rate approximately five times higher than Alaska's and a household per square mile figure that is nearly six times lower than its respective state's household per square mile ratio. The purpose of making such distinctions among states would be to develop A-CAM models – or legacy HCLS and CAF BLS models – that more reliably address carriers' greater than average operating costs, greater sustained investment programs, and lower customer revenues.

F. The Commission Should Not Consolidate HCLS and CAF BLS Support.

The *NPRM*'s proposal for a second, perhaps farther reaching, A-CAM offer may appear to provide a good opportunity to consolidate HCLS and CAF BLS support into one support program, particularly as one considers the growing attention at the Federal and state levels to rural broadband development. A departure from a separate HCLS support mechanism, however, may distract attention from a key circumstance foundational to the creation of USF programs – the high cost of operating telecommunications systems in rural areas. While we think it laudatory

that the Commission has established bandwidth objectives as a central part of its CAF BLS program, it should be understood that the operations of a voice-only system for a number of its customers bears its own costs. It should also be understood that a fully broadband-enabled telecommunications system for all customers desiring broadband are higher than those for a voice-only system. Furthermore, the per-customer costs, which are higher in rural areas than in urban areas, of operating a 25 Mbps download network will be higher than the costs of operating a 10 Mbps download network. The idea of eliminating a separate HCLS support mechanism for one that includes the costs of both voice and broadband services poses some risk that the investments and labor involved in supporting the underlying voice network might not be fully recovered in the future.

III. CONCLUSION

Sacred Wind urges the Commission to: (1) increase the rate-of-return budget to account for inflation since 2011, and consider increasing the amount available for HCLS and CAF BLS; (2) consider remote, rural carriers' high capital and operating costs when determining parameters for additional A-CAM offers; (3) eliminate the operating expense limitation for carriers serving tribal areas; (4) consider implementing a multi-tiered A-CAM structure; (5) consider a state-oriented A-CAM model; and (6) not consolidate HCLS and CAF BLS support.

Respectfully submitted,

SACRED WIND COMMUNICATIONS, INC.

By:/s/ *Martin L. Stern*

John Badal
President and CEO
Brian Tagaban
Director Governmental Policy
Sacred Wind Communications, Inc.
5901 Wyoming NE, Suite J, Box 266
Albuquerque, NM 87110

Martin L. Stern
Erin P. Fitzgerald
Womble Bond Dickinson (US) LLP
1200 19th Street, N.W.
Washington, D.C. 20036
(202) 467-6900
Attorneys for Sacred Wind Communications, Inc.

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Confidential Exhibit A